

## Appendix 2 – Direction determining the PCA values for the IFA2 Interconnector

### Direction under paragraph 15 of Special Condition 8 to determine the PCA values for the IFA2 Interconnector

1. Special Condition 8 (Process for determining the value of the Post Construction Adjustment terms) of the electricity interconnector licence (the Licence) held by National Grid IFA2 Limited (the Licensee) sets out the process for determining the values of the Post Construction Adjustment (PCA) terms (the Post Construction Adjustment At Cap term (PCAC) and the Post Construction Adjustment At Floor term (PCAF)).
2. Paragraph 4 of Special Condition 8 of the Licence requires the Licensee to submit a request to the Authority setting out the Licensee’s proposed values for the PCA terms.
3. Paragraph 12 of Special Condition 8 of the Licence provides for the Authority to determine whether the Licensee’s proposed values for the PCA terms are acceptable and, if not, to specify the values of the PCA terms.
4. In accordance with paragraph 16 of Special Condition 8 of the Licence, the Authority conducted a consultation on its proposed determination of the PCA values between 25 March and 24 April 2022. We received two responses to that consultation and have carefully considered the points raised in making our determination.
5. Pursuant to paragraph 15 of Special Condition 8 of the Licence, the Authority hereby specifies the determined values for the PCA terms, which shall take effect from the Regime Start Date (1 January 2021), to be as follows:
  - (a) **Post Construction Adjustment At Cap term (PCAC): £9.7m**
  - (b) **Post Construction Adjustment At Floor term (PCAF): £10.2m**
6. Part A of Special Condition 2 (Cap and Floor Levels) sets out the formulae for calculating the value of the Cap Level and Floor Level terms for any Relevant Year.

7. Paragraph 13(d) of Special Condition 2 provides that the PCAC and PCAF terms shall remain fixed for the remainder of the Regime Duration from the date on which the PCAC and PCAF terms take effect.
8. Paragraph 13(e) of Special Condition 2 specifies that the value of the PCA terms shall, unless and until determined by the Authority, have the value zero.
9. Following determination of the PCA terms as specified in paragraph 5, the values of the Cap Level and Floor Level, in 2016/17 Sterling prices, are as follows:  
  
**(a) Cap Level (CL<sub>t</sub>) : £60.4m**  
**(b) Floor Level (FL<sub>t</sub>) : £37.8m**
10. The values of the Cap Level and Floor Level specified in paragraph 9 above shall take effect from the Regime Start Date (1 January 2021) and 31 July 2021 respectively.
11. Subject to any adjustments specified in Special Condition 2 and Part E (Determination of the Decommissioning Cost Adjustment term) of Special Condition 7 ( Non-Controllable Costs) of the Licence, the values of the Cap Level and Floor Level shall remain fixed for the Regime Duration.



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**Stuart Borland**

**Deputy Director, Offshore Network Regulation**

**Signed on behalf of the Authority and authorised for that purpose by the**

**Authority on 1<sup>st</sup> August 2022**